

Message Text

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SUBJ: JEFFREY MINING MACHINERY COMPANY NEGOTIATION WITH COAL
MINES AUTHORITY LIMITED (CMAL)

1. WE HAVE BEEN CONTACTED SEVERAL TIMES BY K.N. SHUKLA OF KUNAL ENTERPRISES, REPRESENTING THE JEFFREY COMPANY OF COLUMBUS, OHIO, TO FILL US IN ON THE STATUS OF JEFFREY'S NEGOTIATIONS WITH THE COAL MINES AUTHORITY LIMITED (CMAL) FOR THE SALE OF COAL MINE LOCOMOTIVES AND TO REQUEST OUR ASSISTANCE. OVER A YEAR AGO JEFFREY SUBMITTED A BID IN RESPONSE TO A TENDER FROM THE CMAL FOR 32 15-TON COAL-MINE LOCOMOTIVES, BUT WAS TOLD THEY WOULD HAVE TO AGREE TO BUILD SOME OF THE LOCOMOTIVES IN INDIA AND WOULD HAVE TO SPEED UP THEIR SCHEDULE. AFTER A YEAR'S DISCUSSION, JEFFREY AGREED TO SUPPLY 20 WHOLLY IMPORTED LOCOMOTIVES AT A RATE OF TWO PER MONTH WITH DELIVERY STARTING THIRTEEN MONTHS AFTER SIGNING A CONTRACT. JEFFREY ALSO AGREED TO MANUFACTURE ADDITIONAL UNITS IN INDIA AND WAS ABLE TO SECURE A PRELIMINARY COMMITMENT TO FINANCING FROM EX-IM BANK AND BANK OF AMERICA. ACCORDING TO SHUKLA, NEITHER HE NOR JEFFREY RECEIVED A FORMAL REJECTION, BUT CMAL HAS NOW ISSUED A NEW TENDER FOR 31 LOCOMOTIVES. THE NEW TENDER CALLS FOR EITHER 14 OR 15-TON LOCOMOTIVES, APPAR-

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ENTLY TO ACCOMODATE POSSIBLE IMPORT OF SOVIET UNITS THROUGH MINING

AND ALLIED MACHINERY CORP. (A PUBLIC SECTOR UNDERTAKING). HE REQUESTED ECON/COMMERCIAL OFFICER INVESTIGATE STATUS OF JEFFREY PROPOSAL WITH R.G. MAHENDRU, TECHNICAL DIRECTOR OF THE CMAL.

2. MAHENDRU CONFIRMS THAT PROPOSALS SUBMITTED UNDER PREVIOUS TENDER NO LONGER CONSIDERED, AND THAT IF JEFFREY WAS STILL INTERESTED IN THE BUSINESS, THEY WOULD HAVE TO SUBMIT A NEW OFFER. ACCORDING TO MAHENDRU, THERE WERE THREE BASIC PROBLEMS WITH THE JEFFREY PROPOSAL; 1) TWENTY LOCOMOTIVES WAS A LOT TO HAVE TO IMPORT, 2) THE RATE OF DELIVERY WAS TOO SLOW TO ENABLE CMAL TO JUSTIFY SUCH A LARGE EXPENDITURE OF FOREIGN EXCHANGE (LOCAL MANUFACTURERS, HE CLAIMED, COULD DELIVER 20 UNITS WITHIN 18 MONTHS), AND 3) DURING THE COURSE OF NEGOTIATIONS WITH JEFFREY THE PRICE HAD GONE UP FROM SOME DOLS 60,000 TO DOLS 90,000 PER UNIT. MAHENDRU SAID THE DECIDING FACTORS IN CHOOSING A SUPPLIER UNDER THE NEW TENDER WOULD BE SPEED OF DELIVERY, NUMBER THAT WOULD HAVE TO BE IMPORTED, AND SUCH USUAL CONDITIONS AS PRICE, SPECIFICATIONS, ETC. HE ALSO SAID CMAL WOULD GIVE FAVORABLE CONSIDERATION TO A PROPOSAL FROM JEFFREY TO IMPORT TEN LOCOMOTIVES, MANUFACTURE ANOTHER BATCH IN INDIA WITH FIFTY PERCENT IMPORTED PARTS, AND THEN A THIRD BATCH WITH 25 PERCENT IMPORTS. BASIC FACTS OF THIS DISCUSSION WERE PASSED ON TO SHUKLA, WHO SAYS HE DISCUSSED PROPOSAL AGAIN WITH CMAL AND THEY ARE NOW WILLING TO IMPORT FIFTEEN LOCOMOTIVES. WE IMPRESSED UPON SHUKLA THAT FROM DISCUSSION WITH MAHENDRU, IT SEEMED THIS WOULD REQUIRE A NEW PROPOSAL FROM JEFFREY BASED ON THE NEW TENDER. SINCE EX-IM BANK COMMITMENT RUNS OUT SEP 15 FIRM WOULD HAVE TO APPROACH THEM ANEW.

3. COMMENT: IT IS OUR IMPRESSION THAT ALTHOUGH CMAL, WHICH RESPECTS QUALITY OF JEFFREY'S PRODUCTS, WOULD LIKE TO PURCHASE FROM THEM, PRESSURE IS BEING EXERTED TO HAVE THE LOCOMOTIVES OBTAINED FROM INDIGENOUS SUPPLIERS--EVEN THOUGH NONE PRESENTLY EXIST.. LONG DELAYS IN MAKING DECISION BRING INTO QUESTION REITERATED URGENCY OF PURCHASE. JEFFREY SEEMS TO HAVE BEEN GIVEN BIT OF A RUN-AROUND, BUT AS COMPANY MAY STILL WISH TO BID ON TENDER, WE THINK IT WOULD BE UNWISE TO MAKE ANY PROTEST AT THIS TIME. AT ONE POINT, SHUKLA SUGGESTED THAT WE ASK EMBASSY TO RAISE SUBJECT WITH ENERGY MINISTER PANT OR K.S.R. CHARI, SECRETARY, MINISTRY OF ENERGY, DEPARTMENT OF COAL, BUT AS FAR AS WE CAN SEE, THERE IS NO POINT TO THAT NOW. WE WOULD APPRECIATE ANY LIMITED OFFICIAL USE

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FURTHER INFORMATION EMBASSY CAN DEVELOP ON MATTER AND ANY ADVICE ON ADDITIONAL STEPS WE MIGHT TAKE.

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